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C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 000852

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SUBJECT: RESPECTED ECONOMIST LIKELY AS YUDHOYONO'S RUNNING
MATE

REF: JAKARTA 826 AND PREVIOUS

Classified By: DepPol/C Stanley Harsha, reasons 1.4 (b+d).

¶1. (C) SUMMARY. President Yudhoyono on May 15 reportedly was about to announce esteemed economist and Central Bank Governor Boediyono (one name only) as his Vice Presidential candidate, opting for loyalty, competence and honesty over patronage, special interests, and popular support. Boediyono's cautious nature, however, raises concerns that the Yudhoyono Government could become even more indecisive. Meanwhile, political party coalitions remained murky as former President Megawati could still not decide on her running mate with just a day remaining before the May 16 official deadline to declare a ticket. END SUMMARY.

¶2. (C) President Yudhoyono is likely to choose as his VP running mate someone who can help with his administration's top priorities of promoting economic growth and fighting corruption. A prudent and well-respected technocrat, Boediyono brings a strong track record of sound economic policymaking. As former President Megawati's Finance Minister (2001-04), Boediyono was key in getting tax reform legislation passed. Serving as economics coordinating minister under Yudhoyono, he was instrumental in the passage of an investment bill. Yudhoyono appointed him as the Bank of Indonesia (Central Bank) Chair in May 2008, to return credulity to the corruption-plagued institution.

MR. CLEAN

¶3. (C) Boediyono, age 66, exemplifies the characteristics Yudhoyono wants in his Government if elected to a second term: loyal, humble, and honest. Calm and tight-lipped, Boediyono is polite by nature, like Yudhoyono, a product of traditional Javanese upbringing. He lives with his wife in a small home with worn furniture, and drives an old Toyota Camry, turning down the luxury car that comes with his BI position. His clean reputation is untarnished, in total contrast to the current Vice President Kalla, the ultimate political and business player.

REFORM MINDED, BUT INDECISIVE

¶4. (C) Foreign and Indonesian businessmen praised the choice, saying Boediyono, despite his low-key manner, is a reformer. One deputy coordinating minister for the economy told us, "There are few people out there capable of consistently driving real reforms and he is one of them. His one major flaw: he is viewed as even more indecisive than the famously waffling Yudhoyono, a combination which worries many who already see the Government as too cautious. Several people who know him well say he takes forever to make a decision, although he does delegate. Yudhoyono also takes a long time to decide issues but does not delegate, and Kalla oftentimes

took the initiative to make policy decisions without consulting the President.

¶5. (C) Given Boediyono's reputation as pro-U.S. and pro-foreign investment, nationalists and protectionists are critical of this choice. Small protests were staged when reports of Boediyono's appointment appeared certain on May 15, claiming Boediyono to be pro-U.S., "neo-liberal" and not protecting Indonesian workers.

¶6. (C) The workaholic's favorite hobby is reading the Koran, yet conservative Muslim party leaders, particularly from the Prosperous Justice Party (PKS), lambasted Boediyono's appointment, based on his secular policy outlook. He has not reached out to Muslim organizations, PKS leaders complained. PKS threatened to drop out of the Yudhoyono coalition over Boediyono's appointment.

¶7. (C) With the Yudhoyono/Boediyono team likely and the Golkar running mates of Vice President Yusuf Kalla and Harnura Party head Wiranto (one name) confirmed, two teams are now place to contest the July 2009 Presidential elections.

MEGAWATI STILL NO RUNNING MATE

¶8. (C) Megawati continued to vacillate, the flirtation between PD and Megawati's Indonesian Democratic Party of Struggle (PDI-P), apparently floundering as quickly as it emerged in recent days (reftel). Megawati was not sold on giving up her Presidential aspirations.

¶9. (C) Megawatis' tense negotiations with former general

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Prabowo, head of Gerindra Party, resumed in earnest on May 14, Prabowo still pining to run for President rather than as VP. Prabowo was rumored to be asking for Megawati's endorsement for a Presidential run in 2014 and nine Cabinet positions, with Megawati balking at this exorbitant demand. Neither Megawati nor Prabowo have any choices left but to stick together, however, if they want to make a run this year.

¶10. (C) The rest of the Partai Demokrat coalition was also still being negotiated on May 15, a meeting with PKS planned for late in the day.
HUME